

Attached is the annual Financial Report for the Town of Washington. It includes the Independent Audit Report from Kerber, Rose & Associates.

There are several printed copies of this report available for review both at the Library and at the Town Office. Also, you can download and print this copy off on your computer.

At the Special Town Board Meeting to be held on Tuesday, April 13 at 10:00 AM in the Rutledge Room, this report will be reviewed and considered for approval.

TOWN OF WASHINGTON, WISCONSIN

Annual Financial Report

December 31, 2009

TOWN OF WASHINGTON, WISCONSIN

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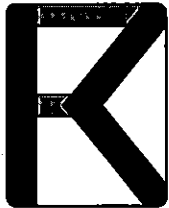
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INDEPENDENT AUDITORS' REPORT



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Washington
Washington Island, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Washington, Wisconsin (Town) as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds, the discretely presented component units and the aggregate remaining fund information of the Town of Washington as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010 on our consideration of the Town of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Town Board
Town of Washington

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3 through 8 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington's financial statements taken as a whole. The combining nonmajor fund financial statements and detailed budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Washington. The combining nonmajor fund financial statements, detailed budgetary comparison schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

April 9, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

TOWN OF WASHINGTON
Management Discussion and Analysis
For the Year Ended December 31, 2009

As management of the Town of Washington (Town), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2009.

Financial Highlights

2009

- The assets of the Town exceeded its liabilities as of December 31, 2009, by \$6,210,198 (*net assets*). Of this amount, \$1,992,702 may be used to meet the government's ongoing obligations to citizens and creditors (*unrestricted net assets*).
- As of December 31, 2009, the Town's governmental funds reported combined ending fund balances of \$2,014,991. Approximately 99 percent of this total, or \$2,006,252, is available for spending at the government's discretion (*unreserved fund balance*).
- As of December 31, 2009, the unreserved fund balance for the general fund was \$849,912.
- The Town's total general obligation debt decreased by \$89,449.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, health and human services and culture recreation and education. The business-type activities of the Town include the utility district. The Town includes two separate legal entities in its report, Fire Department and Rescue Squad. Although legally separate, these "component units" are important because the Town is financially accountable for them.

The government-wide financial statements can be found on pages 9 - 12 of this report.

TOWN OF WASHINGTON
Management Discussion and Analysis
For the Year Ended December 31, 2009

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and Washington Island Foundation, which are considered to be major funds. Data from the remaining five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* later in this report.

The basic governmental fund financial statements can be found on pages 13 - 18 of this report.

Proprietary Funds

Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility district, which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

TOWN OF WASHINGTON
Management Discussion and Analysis
For the Year Ended December 31, 2009

Fiduciary Funds (Not included in government-wide statements)

Agency funds are used to account for assets held by the Town as an agent for other government units.

The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 - 38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's budget. The Town adopts an annual appropriation budget for its general fund. This *required supplementary information* can be found immediately following the notes to the financial statements.

This report also contains *supplementary information*. This includes detailed budget to actual information for the general fund and combining statements for the non-major governmental funds. The supplementary information can be found on pages 42 to 53.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities by \$6,210,198 at the close of 2009.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 3,116,634	\$ 2,857,712	\$ 91,191	\$ 87,480	\$ 3,207,825	\$ 2,945,192
Capital Assets	4,327,018	3,626,374	-	-	4,327,018	3,626,374
Total Assets	<u>7,443,652</u>	<u>6,484,086</u>	<u>91,191</u>	<u>87,480</u>	<u>7,534,843</u>	<u>6,571,566</u>
Long-Term Liabilities						
Outstanding	206,100	345,322	-	-	206,100	345,322
Other Liabilities	1,104,645	1,012,302	13,900	10,127	1,118,545	1,022,429
Total Liabilities	<u>1,310,745</u>	<u>1,357,624</u>	<u>13,900</u>	<u>10,127</u>	<u>1,324,645</u>	<u>1,367,751</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,217,496	3,427,402	-	-	4,217,496	3,427,402
Unrestricted	1,915,411	1,699,060	77,291	77,353	1,992,702	1,776,413
Total Net Assets	<u>\$ 6,132,907</u>	<u>\$ 5,126,462</u>	<u>\$ 77,291</u>	<u>\$ 77,353</u>	<u>\$ 6,210,198</u>	<u>\$ 5,203,815</u>

The largest portion of the Town's net assets (approximately 67 percent) reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets \$1,992,702 may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF WASHINGTON
Management Discussion and Analysis
For the Year Ended December 31, 2009

Government-Wide Financial Analysis (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues						
Charges for Services	\$ 342,899	\$ 552,440	\$ 31,576	\$ 28,081	\$ 374,475	\$ 580,521
Operating Grants and Contributions	137,481	534,883	-	-	137,481	534,883
Capital Grants and Contributions	843,729	-	-	-	843,729	-
General Revenues						
Property Taxes	964,267	957,472	-	-	964,267	957,472
Intergovernmental Revenues not Restricted to Specific Programs	31,700	33,043	-	-	31,700	33,043
Other	424,181	(160,502)	767	963	424,948	(159,539)
Total Revenues	2,744,257	1,917,336	32,343	29,044	2,776,600	1,946,380
Expenses:						
General Government	174,036	165,890	-	-	174,036	165,890
Public Safety	285,398	329,600	-	-	285,398	329,600
Public Works	627,216	600,089	-	-	627,216	600,089
Health and Human Services	161,164	237,220	-	-	161,164	237,220
Culture Recreation and Education	481,909	472,165	-	-	481,909	472,165
Interest and Fiscal Charges	8,089	28,035	-	-	8,089	28,035
Utility District	-	-	32,405	27,436	32,405	27,436
Total Expenses	1,737,812	1,832,999	32,405	27,436	1,770,217	1,860,435
(Decrease) Increase in Net Assets	1,006,445	84,337	(62)	1,608	1,006,383	85,945
Net Assets – Beginning of Year	5,126,462	5,042,125	77,353	75,745	5,203,815	5,117,870
Net Assets – End of Year	\$ 6,132,907	\$ 5,126,462	\$ 77,291	\$ 77,353	\$ 6,210,198	\$ 5,203,815

Key elements of this increase are as follows:

Governmental activities revenues increased by \$826,921 primarily due to an increase in capital grants and contributions from the revenue received for the airport improvements and miscellaneous revenue from an increase in investment income.

Charges for services decreased because of a reduction of county road maintenance performed in the current year.

Governmental activities expenses decreased by \$95,187 primarily due to decreases in public safety because a police officer was not on staff for the full year in 2009; health and human services expenses decreases due to a reduction incurred for the community health program; and interest and fiscal charges decreased due to significant principle payments of debt in the current year.

TOWN OF WASHINGTON
Management Discussion and Analysis
For the Year Ended December 31, 2009

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of December 31, 2009, the Town's governmental funds reported combined ending fund balances of \$2,014,991. Approximately 99 percent or \$2,006,252 constitutes unreserved fund balance, which is available for spending at the government's discretion. Approximately 12 percent or \$241,263 constitutes designated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for current year purchases of inventory or other prepaid items that benefit periods beyond the end of the current year of \$8,739.

The *general fund* is the primary operating fund of the Town. As of December 31, 2009, the total fund balance of the general fund was \$853,814 of which \$738,395 was unreserved/undesignated.

The fund balance of the general fund increased by \$144,582 in fiscal year 2009.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility district at the end of 2009 amounted to \$77,291. The total decrease in net assets was \$62.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for revenue was an increase to intergovernmental and miscellaneous revenues. For expenditures there was a decrease to general government and an increase to public safety, public works, and culture, recreation and education as well as an increase to capital outlay.

During the year, budgeted revenues were more than actual revenues by \$682,476 primarily in intergovernmental revenues from increases in the airport revenues received for airport improvements. Actual expenditures were greater than budgeted expenditures by \$714,220 primarily due to larger than anticipated expenditures for capital outlays that were much greater than the budgeted amounts primarily for the airport improvements.

TOWN OF WASHINGTON
Management Discussion and Analysis
For the Year Ended December 31, 2009

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of December 31, 2009, amounts to \$4,327,018 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, and infrastructure.

	Governmental Activities	
	2009	2008
Land and Improvements	\$ 552,520	\$ 552,520
Construction in Progress	1,244,671	400,942
Buildings and Improvements	2,926,115	2,915,575
Machinery and Equipment	1,846,011	1,800,036
Infrastructure	418,701	418,701
Total Capital Assets	<u>6,988,018</u>	<u>6,087,774</u>
Less Accumulated Depreciation	<u>2,661,000</u>	<u>2,461,400</u>
Capital Assets Net of Depreciation	<u>\$ 4,327,018</u>	<u>\$ 3,626,374</u>

For further details on capital asset activity, refer to Note 5 of the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the Town has total debt outstanding of \$206,100. Of this amount \$188,722 comprises debt backed by the full faith and credit of the government.

	Governmental Activities	
	2009	2008
General Obligation Debt:		
Notes	\$ 37,265	\$ 56,900
Commissioners of Public Lands	151,457	142,072
Total General Obligation Debt	<u>\$ 188,722</u>	<u>\$ 198,972</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the Town is \$15,955,395 significantly exceeds the Town's current outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- The economic condition and outlook of the Town has remained fairly stable based on a relatively healthy mix of tourism, service industry, retail and farming activities which support the tax base.

These factors were considered in preparing the Town's budget for the 2010 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Valerie Carpenter, Town Clerk/Treasurer, P.O. Box 220, Washington Island, WI 54246.

BASIC FINANCIAL STATEMENTS

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TOWN OF WASHINGTON, WISCONSIN

Statement of Net Assets
As of December 31, 2009

	Primary Government		
	Governmental	Business -	2009
	Activities	Type Activities	Total
ASSETS:			
Cash and Investments	\$ 2,111,849	\$ 87,544	\$ 2,199,393
Receivables:			
Accounts	2,851	-	2,851
Taxes	881,678	-	881,678
Customers	-	3,647	3,647
Prepaid Expenses	2,784	-	2,784
Inventory	5,955	-	5,955
Restricted Cash and Investments	111,517	-	111,517
Capital Assets:			
Capital Assets Not Being Depreciated	1,797,191	-	1,797,191
Other Capital Assets, Net of Depreciation	2,529,827	-	2,529,827
Total Assets	<u>7,443,652</u>	<u>91,191</u>	<u>7,534,843</u>
LIABILITIES:			
Accounts Payable	46,797	13,900	60,697
Accrued Liabilities	31,333	-	31,333
Accrued Interest Payable	3,002	-	3,002
Due to Other Organizations	30,318	-	30,318
Unearned Revenues	993,195	-	993,195
Long-Term Obligations:			
Due Within One Year	99,770	-	99,770
Due in More Than One Year	106,330	-	106,330
Total Liabilities	<u>1,310,745</u>	<u>13,900</u>	<u>1,324,645</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	4,217,496	-	4,217,496
Unrestricted	1,915,411	77,291	1,992,702
TOTAL NET ASSETS	<u>\$ 6,132,907</u>	<u>\$ 77,291</u>	<u>\$ 6,210,198</u>

See Accompanying Notes

TOWN OF WASHINGTON, WISCONSIN

Statement of Activities

For the Year Ended December 31, 2009

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 174,036	\$ -	\$ -	\$ -
Public Safety	285,398	135,675	11,007	-
Public Works	627,216	56,198	122,096	843,729
Health and Human Services	161,164	15,436	4,378	-
Culture, Recreation and Education	481,909	135,590	-	-
Interest and Fiscal Charges	8,089	-	-	-
Total Governmental Activities	1,737,812	342,899	137,481	843,729
BUSINESS-TYPE ACTIVITIES:				
Utility District	32,405	31,576	-	-
TOTAL PRIMARY GOVERNMENT	\$ 1,770,217	\$ 374,475	\$ 137,481	\$ 843,729
COMPONENT UNITS:				
Fire Department	\$ 18,697	\$ -	\$ -	-
Rescue Squad	5,559	-	-	-
TOTAL COMPONENT UNITS	\$ 24,256	\$ -	\$ -	\$ -

GENERAL REVENUES:

Property Taxes, Levied for General Purposes
 State and Federal Aids not Restricted to Specific Functions
 Interest and Investment Earnings
 Miscellaneous
Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR - RESTATED

NET ASSETS - END OF YEAR

Program Revenues			Component Units	
Governmental Activities	Business-Type Activities	Total 2009	Fire Department	Rescue Squad
\$ (174,036)	\$ -	\$ (174,036)	\$ -	\$ -
(138,716)	-	(138,716)	-	-
394,807	-	394,807	-	-
(141,350)	-	(141,350)	-	-
(346,319)	-	(346,319)	-	-
(8,089)	-	(8,089)	-	-
(413,703)	-	(413,703)	-	-
-	(829)	(829)	-	-
(413,703)	(829)	(414,532)	-	-
-	-	-	(18,697)	-
-	-	-	-	(5,559)
-	-	-	(18,697)	(5,559)
964,267	-	964,267	-	-
31,700	-	31,700	-	-
281,107	767	281,874	-	177
143,074	-	143,074	27,871	3,540
1,420,148	767	1,420,915	27,871	3,717
1,006,445	(62)	1,006,383	9,174	(1,842)
5,126,462	77,353	5,203,815	1,060	7,142
\$ 6,132,907	\$ 77,291	\$ 6,210,198	\$ 10,234	\$ 5,300

TOWN OF WASHINGTON, WISCONSIN

Balance Sheet
Governmental Funds
As of December 31, 2009

	<u>General</u>	<u>Debt Service</u>
ASSETS:		
Cash and Investments	\$ 919,526	\$ -
Accounts Receivable	2,851	-
Taxes Receivable	881,678	-
Restricted Cash and Investments	111,517	-
Prepaid Expenses	2,784	-
Inventory	1,118	-
TOTAL ASSETS	<u><u>\$ 1,919,474</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND EQUITY:		
LIABILITIES:		
Accounts Payable	\$ 41,132	\$ -
Accrued Liabilities	31,333	-
Due to Other Organizations	-	-
Deferred Revenues	993,195	-
Total Liabilities	<u><u>1,065,660</u></u>	<u><u>-</u></u>
FUND EQUITY:		
Reserved:		
Inventory and Other Prepaid Expenses	3,902	-
Unreserved:		
Designated	111,517	-
Undesignated	738,395	-
Total Fund Equity	<u><u>853,814</u></u>	<u><u>-</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 1,919,474</u></u>	<u><u>\$ -</u></u>

Washington Island Foundation	Other Governmental Funds	Total 2009
\$ 1,056,912	\$ 135,411	\$ 2,111,849
-	-	2,851
-	-	881,678
-	-	111,517
-	-	2,784
-	4,837	5,955
<u>\$ 1,056,912</u>	<u>\$ 140,248</u>	<u>\$ 3,116,634</u>
\$ -	\$ 5,665	\$ 46,797
-	-	31,333
30,318	-	30,318
-	-	993,195
<u>30,318</u>	<u>5,665</u>	<u>1,101,643</u>
-	4,837	8,739
-	129,746	241,263
1,026,594	-	1,764,989
<u>1,026,594</u>	<u>134,583</u>	<u>2,014,991</u>
<u>\$ 1,056,912</u>	<u>\$ 140,248</u>	<u>\$ 3,116,634</u>

TOWN OF WASHINGTON, WISCONSIN

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets As of December 31, 2009

Total fund balances - governmental funds \$ 2,014,991

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	6,988,018	
Governmental Accumulated Depreciation	<u>(2,661,000)</u>	4,327,018

Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Liabilities reported in the statement of net assets that are not reported in the funds balance sheet:

General Debt	(188,722)	
Accrued Interest on General Obligation Debt	(3,002)	
Vested Employee Benefits	<u>(17,378)</u>	<u>(209,102)</u>

Total net assets - governmental activities \$ 6,132,907

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TOWN OF WASHINGTON, WISCONSIN**Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds**

For the Year Ended December 31, 2009

	General	Debt Service
REVENUES:		
Taxes	\$ 964,303	\$ -
Licenses and Permits	4,865	-
Fines and Forfeitures	225	-
Intergovernmental	1,183,446	-
Public Charges for Services	152,090	-
Miscellaneous	91,079	-
Total Revenues	2,396,008	-
EXPENDITURES:		
Current:		
General Government	164,052	-
Public Safety	229,856	-
Public Works	497,562	-
Health and Human Services	143,739	-
Culture, Recreation and Education	363,301	-
Capital Outlay	892,030	-
Debt Service:		
Principal	-	208,649
Interest and Fiscal Charges	-	7,992
Total Expenditures	2,290,540	216,641
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	105,468	(216,641)
OTHER FINANCING SOURCES (USES):		
Proceeds from Long-Term Debt	79,200	-
Transfers In	176,555	216,641
Transfers (Out)	(216,641)	-
Total Other Financing Sources (Uses)	39,114	216,641
NET CHANGE IN FUND BALANCES	144,582	-
FUND BALANCES - BEGINNING - RESTATED	709,232	-
FUND BALANCES - ENDING	\$ 853,814	\$ -

See Accompanying Notes

Washington Island Foundation	Other Governmental Funds	Total 2009
\$ -	\$ -	\$ 964,303
-	-	4,865
-	-	225
-	-	1,183,446
-	-	152,090
298,347	64,902	454,328
<u>298,347</u>	<u>64,902</u>	<u>2,759,257</u>
-	-	164,052
-	-	229,856
-	43,836	541,398
-	17,425	161,164
39,376	35,735	438,412
-	13,227	905,257
-	-	208,649
-	-	7,992
<u>39,376</u>	<u>110,223</u>	<u>2,656,780</u>
<u>258,971</u>	<u>(45,321)</u>	<u>102,477</u>
-	-	79,200
-	-	393,196
(176,555)	-	(393,196)
<u>(176,555)</u>	<u>-</u>	<u>79,200</u>
82,416	(45,321)	181,677
<u>944,178</u>	<u>179,904</u>	<u>1,833,314</u>
<u>\$ 1,026,594</u>	<u>\$ 134,583</u>	<u>\$ 2,014,991</u>

See Accompanying Notes

TOWN OF WASHINGTON, WISCONSIN
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009

Net change in fund balances - total governmental funds \$ 181,677

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	905,257	
Depreciation expense reported in the statement of activities	<u>(204,613)</u>	
Amount by which capital outlays are less than depreciation in the current period.		700,644

Income received during current year previously reported as revenue in the government-wide statements.		(15,000)
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Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Special termination benefits earned in current year	(3,612)	
Special termination benefits paid in current year	<u>13,384</u>	
Amount by which benefits paid exceeds benefits earned		9,772

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

The amount of debt proceeds for the current year is	(79,200)	
The amount of long-term debt principal payments in the current year:	<u>208,649</u>	
The debt repayments are more than proceeds of debt by		129,449

Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues. In the current year, the amount of interest accrued is less than interest paid by

Change in net assets - governmental activities		<u><u>\$ 1,006,445</u></u>
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TOWN OF WASHINGTON, WISCONSIN

Statement of Net Assets

Proprietary Fund

As of December 31, 2009

	<u>Utility District</u>
ASSETS:	
Current Assets:	
Cash	\$ 87,544
Accounts Receivable	<u>3,647</u>
Total Assets	<u>91,191</u>
 LIABILITIES:	
Accounts Payable	<u>13,900</u>
 NET ASSETS:	
Unrestricted	<u>\$ 77,291</u>

See Accompanying Notes

TOWN OF WASHINGTON, WISCONSIN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2009

	<u>Utility District</u>
OPERATING REVENUES:	
Public Charges for Services	\$ 31,576
OPERATING EXPENSES:	
General and Administrative	<u>32,405</u>
OPERATING LOSS	<u>(829)</u>
NONOPERATING REVENUES:	
Interest Income	<u>767</u>
CHANGE IN NET ASSETS	(62)
NET ASSETS - BEGINNING OF YEAR	<u>77,353</u>
NET ASSETS - END OF YEAR	<u><u>\$ 77,291</u></u>

TOWN OF WASHINGTON, WISCONSIN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2009

	<u>Utility District</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from User Charges	\$ 31,967
Cash Payments to Suppliers	(23,541)
Cash Payments to Employees	(5,091)
Net Cash Flows From Operating Activities	<u>3,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	<u>767</u>
NET INCREASE IN CASH	4,102
CASH - BEGINNING OF YEAR	<u>83,442</u>
CASH - END OF YEAR	<u><u>\$ 87,544</u></u>
RECONCILIATION OF OPERATING LOSS TO	
NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Loss	\$ (829)
Adjustments to Reconcile Operating Loss to Net Cash	
Flows From Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	391
Accounts Payable	<u>3,773</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 3,335</u></u>

TOWN OF WASHINGTON, WISCONSIN

Statement of Net Assets

Fiduciary Fund

As of December 31, 2009

	<u>Agency - Tax Collection Fund</u>
ASSETS:	
Current Assets:	
Restricted Cash	\$ 305,917
Taxes Receivable	<u>2,418,635</u>
Total Assets	<u>2,724,552</u>
 LIABILITIES:	
Due to Other Taxing Units	<u>2,724,552</u>
 NET ASSETS	<u><u>\$ -</u></u>

See Accompanying Notes

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the Town of Washington (Town) is presented to assist in understanding the Town's financial statements. The financial statements and notes are representations of the Town's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements.

REPORTING ENTITY

The Town of Washington is incorporated, and is governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The Town has identified the Washington Island Foundation as a blended entity component unit and the Fire Department and Rescue Squad as discretely presented component units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) operating grants and contributions. Taxes and other items not properly included as program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of charges that would distort the direct costs and program revenues reported for the various functions concerned are not eliminated.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility district fund is charges to customers for services. Operating expenses for the fund includes the cost of administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF WASHINGTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUND FINANCIAL STATEMENTS (Continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary funds are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and proprietary funds combined.
- c. In addition, any other governmental fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are identified as either general, special revenue or debt service based upon the following guidelines.

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Business-Type Activities

Enterprise Funds

Enterprise funds may be used to account for activities where a fee is charged to external users for goods and services. Enterprise activities must include operations (a) that are financed with debt that is secured solely by the pledge of the net revenues of the fund, or (b) where laws or regulations require that the costs of the activity be recovered with fees and charges, or (c) where the fees and charges are priced in a way designed to recover the costs of the activity.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUND FINANCIAL STATEMENTS (Continued)

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds are used to account for assets held by the Town as an agent for individuals, private organizations, and/or other governmental units.

Major Funds

The Town reports the following major governmental funds:

General Fund - Accounts for the Town's primary operating activities.

Debt Service Fund - Accounts for the principal and interest payments on debt.

Washington Island Foundation – Accounts for the operating activities of the Washington Island Foundation.

The Town reports the following major proprietary fund:

Utility District Fund - Accounts for the Town's utility operating activities.

Non-Major Funds

The Town reports the following non-major funds:

Special Revenue Funds:

Jackson Harbor Dock – Accounts for the operating activities for the Jackson Harbor Dock.

Community Center – Accounts for the operating activities for the Community Center.

Archives Committee – Accounts for the operating activities for the Archives Committee.

Red Barn Committee – Accounts for the operating activities for the Red Barn.

Community Health Program Fund – Accounts for the operating activities for the Community Health Program.

Fiduciary Funds

The Town reports the following agency fund:

Tax Collection – Accounts for the assets held for other taxing entities

Component Units

The Town reports the following component units:

Fire Department – Accounts for the operating activities of the fire department.

Rescue Squad – Accounts for the operating activities of the ambulance service.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statement present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Town gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash

For the purposes of the statement of cash flows, cash deposits with a maturity of three months or less from the date of purchase are considered to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued)

Inventory

Inventory is recorded at cost, which approximates market, using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventory of governmental fund types in the fund financial statements are offset by fund balance reserve accounts to indicate that they do not represent spendable available financial resources.

Capital Assets

Capital assets, which includes land, buildings and improvements, machinery and equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Governmental Activities</u>
	<u>Years</u>
Buildings and Improvements	20 - 50
Machinery and Equipment	5 - 20
Infrastructure	7 - 20

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

Unearned/Deferred Revenues

Governmental activities in the government-wide statement of activities report unearned revenue and therefore defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The combination of these are reported as deferred revenue in the balance sheet. When revenue recognition criteria are met, unearned or deferred revenue are reduced, as applicable, and income is recognized.

TOWN OF WASHINGTON, WISCONSIN
Notes to Basic Financial Statements
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued)

Long-Term Obligations

The accounting treatment of long-term debt depends on whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable and state trust fund loans.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. In governmental funds, debt issuance costs are reported as expenditures. The accounting in proprietary funds is the same in the fund statements as it is in the government-wide statements.

Interfund Activity

Fund Financial Statements

Interfund activity, if any, within and among the governmental categories is reported as follows in the fund financial statements:

- Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation. The Town currently has no restricted net assets.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued)

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from these estimates.

NOTE 2 - CASH AND INVESTMENTS:

The Town maintains funds available for use by the governmental and business-type funds. These accounts are displayed on the statement of net assets and balance sheet as "Cash." In addition, the Agency Fund uses a separate and distinct account.

The Town is authorized to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time Deposits in any credit union, bank, savings bank or trust company maturity in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics.
- Bonds or securities guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant regulations of the Town.

At December 31, 2009 the bank balance of cash was \$1,680,190. The Town maintains its cash accounts at two financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 2 - CASH AND INVESTMENTS (Continued):

Deposits in each bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest-bearing transaction accounts. Noninterest-bearing transaction accounts are defined to include the following:

- Traditional demand deposit, or checking accounts that do not earn interest; and
- Negotiable Order of Withdrawal (NOW) accounts with interest rates no higher than .50%

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

As of December 31, 2009 the Town had the following:

Fully Insured Deposits	<u>\$ 1,680,190</u>
------------------------	---------------------

INVESTMENTS

The investments with William Blair & Company are insured by SIPC and additional protection is purchased from a private insurer by William Blair & Company.

As of December 31, 2009 the Organization had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
William Blair Funds International Growth Fund	-	\$ 544,956
United States Treasury Bonds	2018	336,900
Total		<u>\$ 881,856</u>

Interest Rate Risk – The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Town's investment policy does not limit its investment choices. As of December 31, 2009, the Town's investment in William Blair Funds International Growth Funds was rated AAA by Moody's Investors Services and AAA by Standard & Poor's.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer. 100 percent of the Town's investments are in William Blair Funds International Growth Funds and United States Treasury Bonds. These investments are 61.8% and 38.2%, respectively, of the Towns' total investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. For investments stated at their fair value, fair values are based on quoted market prices. No investments are reported at amortized costs. Adjustments necessary to record investments at fair value are recorded in the statement of revenues, expenses and changes in fund balances and statement of activities as increases or decreases in investment income.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements
December 31, 2009

NOTE 3 - RESTRICTED ASSETS:

Restricted assets on December 31, 2009 consisted of cash and investments totaling \$417,434 held for the following purposes:

		Purpose
General Fund	\$ 111,517	Tax revenues to be used for subsequent years expenditures
Agency Fund	305,917	Advanced tax collections to be paid to other taxing districts.
Total Restricted Assets	<u>\$ 417,434</u>	

NOTE 4 - PROPERTY TAXES:

Property taxes consist of taxes on real estate and personal property. They are levied during December and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable in full on or before January 31. Real estate taxes are payable in full by January 31, or in two equal installments on or before January 31, and July 31. Real estate taxes not paid by January 31 are assumed by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town.

The County bills and collects on behalf of the Town, its property taxes. Also, the County levies taxes for the School District of Washington Island, Northeast Wisconsin Technical College and the State of Wisconsin and collects them on behalf of the Town.

Wisconsin statutes limit the amount of revenues Towns may derive from property taxes, unless a higher amount has been approved by a referendum. The 2009 – 2011 state budget bill, 2009 Wisconsin Act 28, imposes property tax levy limits on municipalities in 2009 and 2010. In 2009, a municipality was allowed to increase its levy over the amount it levied in 2008 by no more than 3 percent or the percentage increase in equalized value due to net new construction, whichever is greater. The 3% levy limit imposed under Act 28 also applies in 2010 and sunsets on December 31, 2010. The levy limit does not apply to a municipality's debt service on general obligation debt authorized on or anytime after July 1, 2005.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land and Improvements	\$ 552,520	\$ -	\$ -	\$ 552,520
Construction in Progress	400,942	843,729	-	1,244,671
Total Capital Assets not being Depreciated	953,462	843,729	-	1,797,191
Other Capital Assets:				
Buildings and Improvements	2,915,575	10,540	-	2,926,115
Machinery and Equipment	1,800,036	50,988	5,013	1,846,011
Infrastructure	418,701	-	-	418,701
Total Capital Assets being depreciated	5,134,312	61,528	5,013	5,190,827
Less Accumulated Depreciation for:				
Building and Improvements	(1,187,846)	(57,100)	-	(1,244,946)
Machinery and Equipment	(1,162,385)	(108,350)	(5,013)	(1,265,722)
Infrastructure	(111,169)	(39,163)	-	(150,332)
Total Accumulated Depreciation	(2,461,400)	(204,613)	(5,013)	(2,661,000)
Total Capital Assets Being Depreciated, Net of Depreciation	2,672,912	(143,085)	-	2,529,827
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,626,374	\$ 700,644	\$ -	\$ 4,327,018

Depreciation expense was charged to functions of the Town as follows:

General Government	\$ 9,984
Public Safety	65,314
Public Works	85,818
Culture, Recreation and Education	43,497
Total Depreciation Expense	<u>\$ 204,613</u>

NOTE 6 - INTERFUND TRANSFERS:

Interfund transfers for the year ended December 31, 2009 were as follows:

	General Fund	Purpose
Transfers To:		
Debt Service	\$ 216,641	Annual Debt Service Requirement
Transfers From:		
Washington Island Foundation	\$ 176,555	Recreation Center Reimbursement

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 7 - UNEARNED/DEFERRED REVENUES:

	<u>Unavailable</u>
Property Taxes Levied to Finance 2010 Budget	\$ 993,195

The property taxes levied to finance the 2010 budget represent the Town's allocation of the 2009 real estate and personal property taxes.

NOTE 8 - LONG-TERM DEBT:

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2009:

	<u>Outstanding 1/01/09</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/09</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Debt:					
Notes	\$ 56,900	\$ -	\$ 19,635	\$ 37,265	\$ 18,945
Commissioners of Public Lands	142,072	79,200	69,814	151,457	72,258
Total General Obligation Debt	198,972	79,200	89,449	188,722	91,203
Variable Rate Note					
Anticipation Notes	119,200	-	119,200	-	-
Compensated Absences	27,150	3,612	13,384	17,378	8,567
Governmental Activity Long-Term Liabilities	<u>\$ 345,322</u>	<u>\$ 82,812</u>	<u>\$ 222,033</u>	<u>\$ 206,100</u>	<u>\$ 99,770</u>

Interest during the year on long-term debt totaled \$7,992.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes:	
\$123,000 issued January 8, 2001; \$12,300 due annually through 2011; interest 4.15%	\$ 24,600
\$20,000 issued October 20, 2008; \$6,374 due annually through 2011; interest 5.0%	12,665
Commissioners of Public Lands:	
\$269,631 issued August 25, 2005; \$69,814 due annually through 2010; interest 3.50%	72,257
\$79,200 issued March 15, 2009; \$79,200 due in 2011; interest 4.25%	79,200
	<u>\$ 188,722</u>

Annual principal and interest maturities of the outstanding general obligation debt are detailed below:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 91,203	\$ 3,998	\$ 95,201
2011	97,519	5,272	102,792
	<u>\$ 188,722</u>	<u>\$ 9,270</u>	<u>\$ 197,993</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 8 - LONG-TERM DEBT (Continued):**Legal Margin for Debt**

The Town's legal margin for creation of additional general obligation debt on December 31, 2009 was \$15,766,673 as follows:

Equalized Valuation of the Town	\$ 319,107,900
Statutory Limitation Percentage	(x) 5%
General Obligation Debt Limitation, per Section 67.03 of The Wisconsin Statutes	15,955,395
Total Outstanding General Obligation Debt Applicable to Debt Limitation	188,722
Legal Margin for New Debt	<u>\$ 15,766,673</u>

NOTE 9 - OPERATING LEASES:

The Town is the lessee of a copier and land under operating leases. Presented below is a schedule of future minimum lease payments at December 31, 2009:

<u>Year Ending</u>	<u>Amount</u>
2010	\$ 12,310
2011	10,244
2012	10,536
2013	10,337
2014	10,647
Thereafter	63,882
	<u>\$ 117,956</u>

Rent expense for the operating leases for the year ended December 31, 2009 was \$15,709.

The Town is the lessor of land and a portion of its building under an operating lease. Presented below is a schedule of future minimum lease revenues at December 31, 2009:

<u>Year Ending</u>	<u>Amount</u>
2010	\$ 40,606
2011	4,744
2012	4,792
2013	4,840
2014	4,888
Thereafter	39,298
	<u>\$ 94,280</u>

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 10 - FUND EQUITY:

Government-wide Statements

Net assets reported on the government-wide statement of net assets at December 31, 2009 includes the following:

Invested in Capital Assets, Net of Related Debt:	
Net Capital Assets	\$ 4,327,018
Less: Total Long-Term Debt Outstanding	(188,722)
Add: Debt Unrelated to Capital Assets	79,200
Total Invested in Capital Assets, Net of Related Debt	<u>4,217,496</u>
Unrestricted	<u>1,915,411</u>
Total Net Assets	<u>\$ 6,132,907</u>

Fund Statements

In the fund financial statements, portions of governmental fund balances are reserved and not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2009 fund balance was reserved as follows:

General Fund:	
Reserved for Inventory and Other Prepaid Items	<u>\$ 3,902</u>
Other Governmental Funds:	
Reserve for Inventory	<u>\$ 4,837</u>

Also in the fund financial statements, portions of governmental fund balances have been designated to represent tentative management plans that are subject to change. At December 31, 2009, fund balance was designated as follows:

General Fund:	
Designated for Subsequent Year's Expenditures	<u>\$ 111,517</u>
Other Governmental Funds:	
Designated for Subsequent Year's Expenditures	<u>\$ 129,746</u>

NOTE 11 - BENEFIT PENSION PLAN:

All eligible Town of Washington employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.8% of their salary (2.8% for Executives and Elected Officials, 4.9% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Town of Washington employees covered by the WRS for the year ended December 31, 2009, was \$412,109; the employer's total payroll was \$518,875. The total required contribution for the year ended December 31, 2009, was \$45,845, which consisted of \$29,881, or 7.3% of payroll from the employer, and \$15,964, or 3.9% of payroll from employees. Total contributions for the years ended December 31, 2008 and 2007 were \$49,387 and \$40,491, respectively, equal to the required contribution for each year.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 11 - BENEFIT PENSION PLAN (Continued):

Employees who retire at or after 65 (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. Final average earnings are the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

NOTE 12 - FIRE DEPARTMENT RETIREMENT:

The Washington Island Fire Department has enrolled in a length of service award program, a program developed by the State of Wisconsin. This is a defined contribution plan.

Upon completion of 10 years of service, participants will be 50 percent vested. An additional 5 percent vesting will be accumulated for each subsequent year of service. Upon completion of 20 years of service, participants will be fully vested.

The contribution for 2009 was \$11,157.

NOTE 13 - RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Town purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements
December 31, 2009

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

From time to time, the Town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Town's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the Town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing the aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Town.

The Town has one open contract as of December 31, 2009. There is an open agreement of \$135,000 to help subsidize the wages of the doctor at the medical clinic through 2010.

NOTE 15 - COMPONENT UNITS:

The Fire Department and Rescue Squad are included as component units in discrete columns on the statement of net assets and the statement of activities. The organizations provide services to the Town of Washington. The following additional disclosures are considered necessary for a fair presentation.

Measurement Focus and Basis of Accounting

The Organizations prepare their financial statements in accordance with accounting principles generally accepted in the United States of America. All the Organizations have a general fund which uses the flow of current financial resources measurement focus and the modified accrual basis of accounting.

At December 31, 2009 the bank balance of cash was \$15,534. The Organizations' maintains their cash accounts at one financial institution. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Organizations' deposits may not be returned. The Organizations do not have a deposit policy for custodial credit risk.

Deposits in each bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest-bearing transaction accounts. Noninterest bearing transaction accounts are defined to include the following:

- Traditional demand deposit, or checking accounts that do not earn interest; and
- Negotiable Order of Withdrawal (NOW) accounts with interest rates no higher than .50%

As of December 31, 2009 the Organizations had the following deposits:

Fully Insured Deposits	\$ <u>15,534</u>
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TOWN OF WASHINGTON, WISCONSIN

Notes to Basic Financial Statements

December 31, 2009

NOTE 16 - RESTATEMENT OF BEGINNING OF NET ASSETS AND BEGINNING FUND BALANCE – GOVERNMENTAL ACTIVITIES:

The following adjustments were made to restate net assets:

Net Assets – December 31, 2008 (as previously reported)	\$ 3,781,342
Understatement of Net Assets – Capital Asset Construction in Progress – Not Recorded in Prior Years	400,942
Understatement of Net Assets – Washington Island Foundation Reported Previously Presented as a Discretely Prescribed Component Unit	<u>944,178</u>
Net Assets – As Restated December 31, 2009	<u>\$ 5,126,462</u>

The Town had received monies from the Department of Transportation to make improvements to the airport. The construction of these improvements began in prior years resulting in an increase in capital assets – construction in progress and in net assets of \$400,942 at December 31, 2008.

The Town had previously been reporting the Washington Island Foundation as a component unit. It has come to the Town's attention that the Foundation should be reported as a blended entity of the Town. This resulted in an understatement of net assets of \$944,178 for at December 31, 2008.

The following adjustment was made to restate the fund balance of the total governmental funds:

Fund Balance – December 31, 2008 (as previously recorded)	\$ 889,136
Understatement of Fund Balance – Washington Island Foundation Reported Previously Presented as a Discretely Prescribed Component Unit	<u>944,178</u>
Fund Balance – As Restated December, 31, 2008	<u>\$ 1,833,314</u>

NOTE 17 - EFFECT OF FUTURE ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS:

Early in 2009 the Governmental Standards Board (GASB) approved Statement No. 54. This Statement expands the classifications of fund balance from reserved and unreserved to nonspendable, restricted, committed, assigned, and unassigned; and revises the definitions of special revenue, capital projects, and debt service funds, GASB Statement 54 *Fund Balance Reporting* and *Governmental Fund Type Definitions* is effective for the Town of Washington, Wisconsin in 2011. The Town has not yet determined the effect of this Statement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF WASHINGTON, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts	
	Original	Final
REVENUES:		
Taxes	\$ 964,267	\$ 964,267
Licenses and Permits	4,860	4,860
Fines and Forfeitures	200	200
Intergovernmental	312,918	313,816
Public Charges for Services	353,094	353,512
Miscellaneous	68,670	76,877
Total Revenues	1,704,009	1,713,532
EXPENDITURES:		
Current:		
General Government	185,083	184,059
Public Safety	271,559	278,909
Public Works	552,940	554,880
Health and Human Services	143,730	143,730
Culture, Recreation and Education	409,964	410,364
Capital Outlay	-	4,378
Total Expenditures	1,563,276	1,576,320
EXCESS OF REVENUES OVER EXPENDITURES	140,733	137,212
OTHER FINANCING SOURCE (USE):		
Proceeds from Long-Term Debt	-	-
Transfer In	-	-
Transfer Out	(219,933)	(220,790)
Total Financing Source (Use)	(219,933)	(220,790)
NET CHANGE IN FUND BALANCE	(79,200)	(83,578)
FUND BALANCE - BEGINNING - RESTATED	709,232	709,232
FUND BALANCE - ENDING	\$ 630,032	\$ 625,654

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 964,303	\$ 36
4,865	5
225	25
1,183,446	869,630
152,090	(201,422)
91,079	14,202
<u>2,396,008</u>	<u>682,476</u>
164,052	20,007
229,856	49,053
497,562	57,318
143,739	(9)
363,301	47,063
892,030	(887,652)
<u>2,290,540</u>	<u>(714,220)</u>
<u>105,468</u>	<u>(31,744)</u>
79,200	79,200
176,555	176,555
(216,641)	(4,149)
<u>39,114</u>	<u>251,606</u>
144,582	219,862
709,232	-
<u>\$ 853,814</u>	<u>\$ 219,862</u>

TOWN OF WASHINGTON, WISCONSIN
Notes to Budgetary Comparison Schedule
December 31, 2009

BUDGETARY PROCESS:

The Town follows these procedures in establishing the budgetary data:

- During October, Town management submits to the Town Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
- Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- During the year, formal budgetary integration is employed as a management control device for the general fund and debt service funds.
- Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.

INDIVIDUAL FUNDS DISCLOSURES:

Excess Expenditures Over Budget

The following had an excess of expenditures over the budget for the year ended December 31, 2009:

Capital Outlay	\$ 887,652
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SUPPLEMENTARY INFORMATION

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TOWN OF WASHINGTON, WISCONSIN

Schedule of Detailed Revenues and Other Operating Sources Budgetary Comparison

General Fund

For the Year Ended December 31, 2009

	Budgeted Amounts	
	Original	Final
REVENUES:		
TAXES:		
General Property Taxes	\$ 964,267	\$ 964,267
Interest and Penalties on Taxes	-	-
Total Taxes	<u>964,267</u>	<u>964,267</u>
LICENSES AND PERMITS:		
Business and Occupational Licenses	4,130	4,130
Nonbusiness Licenses	730	730
Total Licenses and Permits	<u>4,860</u>	<u>4,860</u>
FINES, FORFEITURES AND PENALTIES:		
Law and Ordinance Violations	<u>200</u>	<u>200</u>
INTERGOVERNMENTAL:		
State Shared Revenues	21,926	21,926
Airport Grant	-	-
Police Training	400	400
Ambulance Funding	-	-
State Highway Aids	115,883	115,883
State Fire Insurance Dues	6,664	6,664
Municipal Services	1,200	2,098
Exempt Computer Aid	120	120
Forest Cropland/Managed Forest	9,225	9,225
Recycling - County	6,000	6,000
Rescue Squad - County	38,000	38,000
Highway - County	12,000	12,000
Police - County	100,000	100,000
Parks - County	1,500	1,500
Total Intergovernmental	<u>312,918</u>	<u>313,816</u>
PUBLIC CHARGES FOR SERVICES:		
Highway and Street Maintenance	1,000	1,000
Refuse and Garbage Collection	12,000	12,000
Airport	5,000	5,000
Sewage Service	9,294	9,312

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 964,267	\$ -
36	36
<u>964,303</u>	<u>36</u>
4,427	297
438	(292)
<u>4,865</u>	<u>5</u>
<u>225</u>	<u>25</u>
19,244	(2,682)
845,557	845,557
200	(200)
3,860	3,860
115,883	-
6,947	283
2,099	1
192	72
10,165	940
7,208	1,208
38,000	-
32,514	20,514
100,000	-
1,577	77
<u>1,183,446</u>	<u>869,630</u>
1,012	12
17,547	5,547
6,213	1,213
5,125	(4,187)

TOWN OF WASHINGTON, WISCONSIN**Schedule of Detailed Revenues and Other Operating Sources Budgetary Comparison (Continued)****General Fund**

For the Year Ended December 31, 2009

	Budgeted Amounts	
	Original	Final
PUBLIC CHARGES FOR SERVICES (Continued):		
Museum	\$ 6,000	\$ 6,000
Recreation Center	277,020	277,020
Community Van	-	400
Welcome Center	600	600
Red Barn	4,700	4,700
Jackson Harbor	16,000	16,000
School District	7,000	7,000
Archives	8,480	8,480
Cemetery	6,000	6,000
Total Public Charges for Services	353,094	353,512
MISCELLANEOUS:		
Interest and Investment Income	14,000	14,000
Rent	34,500	34,500
Donations	-	4,800
Insurance Recoveries	-	-
Property Sales	-	-
Other Revenues	20,170	23,577
Total Miscellaneous	68,670	76,877
OTHER OPERATING SOURCES		
Proceeds from Long-Term Debt	79,200	83,578
Transfer In	-	-
Total Other Operating Sources	79,200	83,578
TOTAL REVENUES AND OTHER OPERATING SOURCES	\$ 1,783,209	\$ 1,797,110

Actual Amounts	Variance with Final Budget Positive (Negative)
\$ 7,479	\$ 1,479
73,364	(203,656)
456	56
915	315
3,800	(900)
16,796	796
3,947	(3,053)
8,526	46
6,910	910
<u>152,090</u>	<u>(201,422)</u>
5,471	(8,529)
35,450	950
22,195	17,395
2,251	2,251
2,289	2,289
23,423	(154)
<u>91,079</u>	<u>14,202</u>
79,200	(4,378)
<u>176,555</u>	<u>176,555</u>
<u>255,755</u>	<u>172,177</u>
<u>\$ 2,651,763</u>	<u>\$ 678,098</u>

TOWN OF WASHINGTON, WISCONSIN**Schedule of Detailed Expenditures and Other Financing Uses Budgetary Comparison****General Fund****For the Year Ended December 31, 2009**

	Budgeted Amounts	
	Original	Final
EXPENDITURES AND OTHER FINANCING USES:		
GENERAL GOVERNMENT:		
Legislative	\$ 19,452	\$ 19,452
Legal	7,000	3,831
Clerk/Treasurer and Elections	110,681	110,681
Assessor	9,100	9,100
Auditing	8,800	8,800
Insurance	6,000	7,247
Town Hall	21,500	21,500
Miscellaneous	2,550	3,448
Total General Government	185,083	184,059
PUBLIC SAFETY:		
Law Enforcement	150,282	150,282
Fire Protection	70,025	71,925
Ambulance	44,752	47,652
Emergency	6,500	9,050
Total Public Safety	271,559	278,909
PUBLIC WORKS:		
Town Shop	21,500	21,500
Highway	321,090	321,090
Waste Disposal	180,308	180,308
Airport	17,230	19,152
Street Lighting	2,500	2,500
Sewage Service	10,312	10,330
Total Public Works	552,940	554,880
HEALTH AND HUMAN SERVICES:		
Public Health	135,000	135,000
Cemetery	250	250
Archives	8,480	8,480
Total Health and Human Services	143,730	143,730

Actual Amounts	Variance with Final Budget Positive (Negative)
\$ 17,989	\$ 1,463
-	3,831
111,439	(758)
8,942	158
7,313	1,487
8,581	(1,334)
9,573	11,927
215	3,233
<u>164,052</u>	<u>20,007</u>
123,129	27,153
58,701	13,224
36,494	11,158
11,532	(2,482)
<u>229,856</u>	<u>49,053</u>
15,492	6,008
294,575	26,515
159,900	20,408
20,157	(1,005)
2,239	261
5,199	5,131
<u>497,562</u>	<u>57,318</u>
135,200	(200)
13	237
8,526	(46)
<u>143,739</u>	<u>(9)</u>

TOWN OF WASHINGTON, WISCONSIN**Schedule of Detailed Expenditures and Other Financing Uses Budgetary Comparison - Continued****General Fund****For the Year Ended December 31, 2009**

	Budgeted Amounts	
	Original	Final
CULTURE, RECREATION AND EDUCATION:		
Jackson Harbor	\$ 14,555	\$ 14,555
Community Center	61,319	61,319
Recreation Center	277,020	277,020
Community Van	-	400
Parks	16,320	16,320
Library	400	400
Museum	15,675	15,675
Welcome Center	15,975	15,975
Red Barn	4,700	4,700
Art and Nature Center	4,000	4,000
Total Culture, Recreation and Education	409,964	410,364
CAPITAL OUTLAY:		
Town Office	-	4,378
Fire Protection	-	-
Culture, Recreation and Education	-	-
Airport	-	-
Recreation Center	-	-
Total Capital Outlay	-	4,378
OTHER FINANCING USES:		
Transfer Out	219,933	220,790
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 1,783,209	\$ 1,797,110

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 12,280	\$ 2,275
54,588	6,731
248,473	28,547
227	173
11,098	5,222
317	83
13,462	2,213
15,056	919
3,800	900
4,000	-
<u>363,301</u>	<u>47,063</u>
7,574	(3,196)
17,682	(17,682)
20,591	(20,591)
843,729	(843,729)
2,454	(2,454)
<u>892,030</u>	<u>(887,652)</u>
<u>216,641</u>	<u>4,149</u>
<u>\$ 2,507,181</u>	<u>\$ (710,071)</u>

TOWN OF WASHINGTON, WISCONSIN

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009

	<u>Jackson Harbor Dock</u>	<u>Community Center</u>
ASSETS:		
Cash	\$ 20,439	\$ 6,303
Inventory	-	-
TOTAL ASSETS	<u>\$ 20,439</u>	<u>\$ 6,303</u>
LIABILITIES AND FUND EQUITY:		
Liabilities:		
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:		
Reserved	-	-
Designated	<u>20,439</u>	<u>6,303</u>
Total Fund Balance	<u>20,439</u>	<u>6,303</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 20,439</u>	<u>\$ 6,303</u>

<u>Archives Committee</u>	<u>Red Barn Committee</u>	<u>Community Health Program</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 28,324	\$ 61,801	\$ 18,544	\$ 135,411
4,837	-	-	4,837
<u>\$ 33,161</u>	<u>\$ 61,801</u>	<u>\$ 18,544</u>	<u>\$ 140,248</u>
\$ 2,131	\$ -	\$ 3,534	\$ 5,665
4,837	-	-	4,837
26,193	61,801	15,010	129,746
<u>31,030</u>	<u>61,801</u>	<u>15,010</u>	<u>134,583</u>
<u>\$ 33,161</u>	<u>\$ 61,801</u>	<u>\$ 18,544</u>	<u>\$ 140,248</u>

TOWN OF WASHINGTON, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

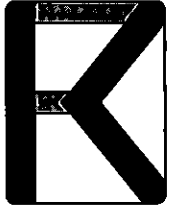
For the Year Ended December 31, 2009

	Jackson Harbor Dock	Community Center
REVENUES:		
Sales and Festivals	\$ 5,529	\$ 14,046
User Fees	21	-
Donations	5,427	400
Lease Income	287	-
Interest Income	308	18
Total Revenues	11,572	14,464
EXPENDITURES:		
Current:		
Public Works	43,836	-
Health and Human Services	-	-
Culture, Recreation and Education	1,125	18,024
Capital Outlay	10,540	2,687
Total Expenditures	55,501	20,711
NET CHANGE IN FUND BALANCES	(43,929)	(6,247)
FUND BALANCES - BEGINNING	64,368	12,550
FUND BALANCES - ENDING	\$ 20,439	\$ 6,303

Archives Committee	Red Barn Committee	Community Health Program	Total Nonmajor Governmental Funds
\$ 1,442	\$ 1,774	\$ -	\$ 22,791
-	-	-	21
8,800	1,822	19,750	36,199
-	4,885	-	5,172
318	75	-	719
<u>10,560</u>	<u>8,556</u>	<u>19,750</u>	<u>64,902</u>
-	-	-	43,836
-	-	17,425	17,425
11,516	5,070	-	35,735
-	-	-	13,227
<u>11,516</u>	<u>5,070</u>	<u>17,425</u>	<u>110,223</u>
(956)	3,486	2,325	(45,321)
<u>31,986</u>	<u>58,315</u>	<u>12,685</u>	<u>179,904</u>
<u>\$ 31,030</u>	<u>\$ 61,801</u>	<u>\$ 15,010</u>	<u>\$ 134,583</u>

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ADDITIONAL REPORTS



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

115 E. Fifth Street • Shawano, WI 54166
(715) 526-9400 • Fax (715) 524-2599

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Board
Town of Washington
Washington Island, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Washington, Wisconsin, as of and for the year ended December 31, 2009, which collectively comprise the Town of Washington, Wisconsin's basic financial statements and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Washington, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Washington, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Town of Washington, Wisconsin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as #09-1 and #09-2 to be material weaknesses.

To the Town Board
Town of Washington

Compliance and Other Matters

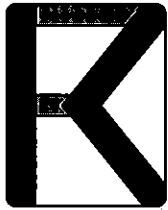
As part of obtaining reasonable assurance about whether Town of Washington, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Town of Washington, Wisconsin, in a separate letter dated April 9, 2010.

Town of Washington's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Town of Washington's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Town Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
April 9, 2010



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

115 E. Fifth Street • Shawano, WI 54166
(715) 526-9400 • Fax (715) 524-2599

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Town Board
Town of Washington
Washington Island, Wisconsin

Compliance

We have audited the compliance of the Town of Washington, Wisconsin (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the federal program. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

To the Town Board
Town of Washington
Washington Island, Wisconsin

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town Board, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
April 9, 2010

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TOWN OF WASHINGTON, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Award Description/ Pass-Through Agency</u>	<u>Catalog Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Program or Award Amount</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Airport Improvement Program</i>	20.106	AIP-06	
Wisconsin Department of Transportation			
January 1, 2009 - December 31, 2009			\$ 1,352,545
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			
TOTAL FEDERAL ASSISTANCE			

<u>Accrued Receivable 1/1/09</u>	<u>Revenues Grantor Reimbursement</u>	<u>Expenditures</u>	<u>Accrued Receivable 12/31/2009</u>
\$ -	\$ 1,352,545	\$ 1,352,545	\$ -
<u>-</u>	<u>1,352,545</u>	<u>1,352,545</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 1,352,545</u>	<u>\$ 1,352,545</u>	<u>\$ -</u>

TOWN OF WASHINGTON, WISCONSIN
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards include the federal grant activity of the Town of Washington and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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TOWN OF WASHINGTON, WISCONSIN

Schedule of Findings

For the Year Ended December 31, 2009

Section I – Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------------|
| 1. Type of auditors' report issued? | Unqualified Opinion |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards

- | | |
|---|---------------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major programs: | Unqualified Opinion |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)? | No |

Identification of major federal programs:

CFDA Number	Name of Federal Program
20.106	Airport Improvement Program
Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Findings

Material Weaknesses

#09-1 Financial Accounting and Reporting

- | | |
|-------------------------------|---|
| Criteria: | Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net assets, and disclosures in the financial statements, in conformity with U.S. Generally Accepted Accounting Principles (GAAP). |
| Condition: | During our audit, we noted that the internal control system does not include a process for preparing the annual external financial statements and the related disclosures in accordance with GAAP. |
| Cause: | Management requested that Kerber, Rose & Associates assist in preparing a draft of the financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost. |
| Effect: | Although the auditors are preparing the financial statements and related footnotes, management of the Town thoroughly reviews them and accepts responsibility for their completeness and accuracy. |
| Recommendation: | We recommend that management continued to make this decision on a cost/benefit basis. |
| Management's Response: | Management will continue to base its decision on a cost/benefit basis. |

TOWN OF WASHINGTON, WISCONSIN

Schedule of Findings - Continued

Year Ended December 31, 2009

#09-2 Segregation of Duties

Criteria:	Due to the limited staff, the Board should monitor the operations of the Town on a continuing basis.
Condition:	The Town has a limited number of people who are responsible for and perform substantially all of the bookkeeping and accounting functions.
Cause:	Limited staff is available to segregate duties.
Effect:	Because of the lack of segregation of duties, unauthorized transactions could occur in the Town's operations.
Recommendation:	The duties should be segregated as much as possible and compensating controls should be used to compensate for the lack of segregation of duties. This includes the Board having an active role in the Town's operations, such as approval of invoices and review of receipts and revenues.
Management's Response:	The Board will continue to monitor the Town's operations closely and approve financial reports and invoices monthly.

Section III -- Federal Award Findings

There were no findings for federal awards.

TOWN OF WASHINGTON, WISCONSIN
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2009

A single audit was not required for the year ended December 31, 2008.

TOWN OF WASHINGTON, WISCONSIN

Corrective Action Plan

For the Year Ended December 31, 2009

FINANCIAL ACCOUNTING AND REPORTING - The Town is aware that their staff does not have training to prepare the related notes to the financial statements in accordance with generally accepted accounting principles. The Town will rely on the assistance of the auditors for preparation of the financial statements and related notes.

SEGREGATION OF DUTIES - The Town is aware that there are a limited number of people who are responsible for and perform substantially all of the bookkeeping and accounting functions. The Board will continue to monitor the Town's operations closely and approve financial reports and invoices monthly.

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